

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of Southern California Gas Company Regarding Year Seven (2000-2001) Under Its Experimental Gas Cost Incentive Mechanism and Related Gas Supply Matters. (U 904 G)

Application 01-06-027  
(Filed June 15, 2001)

**FURTHER REVISED SCOPING MEMO AND RULING OF THE ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE REGARDING YEAR SEVEN OF THE GAS COST INCENTIVE MECHANISM**

**1. Summary**

Southern California Gas Company (SoCalGas) filed its Year Seven Gas Cost Incentive Mechanism (GCIM) application on June 15, 2001. A prehearing conference was held on October 29, 2001 and November 6, 2002 to discuss whether the issues raised by the protestants should be examined in this application or elsewhere, and to determine the procedural schedule for processing this application.

A scoping memo and ruling was issued on January 16, 2003. The scoping memo and ruling identified two issues in this proceeding, determined that no evidentiary hearings were required, and proposed that a draft decision be issued on the two issues. On March 18, 2003, a revised scoping memo and ruling was issued which determined that due to the potential impact of Order Instituting Investigation (I.02-11-040) on the shareholder award amount requested in this proceeding, the process and schedule set forth in the January 16, 2003 scoping

memo and ruling should be revised. The revised scoping memo and ruling determined that further processing of the application should take place after a Commission decision or ruling on SoCalGas' actions during the period covered by I.02-11-040 has occurred.

Today's scoping memo and ruling determines that a draft decision addressing the Year Seven GCIM should be issued for comment before the issues in I.02-11-040 are resolved, and that any shareholder award should be made subject to refund or adjustment.

## **2. Background**

The background regarding the Year Seven GCIM application is set forth in the January 16, 2003 scoping memo and ruling, and in the March 18, 2003 revised scoping memo and ruling.

After the issuance of the revised scoping memo and ruling, SoCalGas requested an individual ex parte meeting with the assigned Commissioner. The meeting took place on April 21, 2003. At that meeting, SoCalGas discussed the revised scoping memo and ruling and that the GCIM award could be made subject to refund, and asked the assigned Commissioner to reconsider her position. Notice of the individual ex parte meeting, and a notice of ex parte communication were provided by SoCalGas as required by the Commission's rules.

## **3. Further Revised Scope and Schedule**

Upon further consideration, the process outlined in the January 16, 2003 scoping memo and ruling should be followed. That is, a draft decision should be prepared which addresses the request of SoCalGas for a shareholder award in the Year Seven GCIM proceeding.

No evidentiary hearings are required since no one contests the way in which the shareholder award was calculated for Year Seven. Also, the concerns about the way in which the GCIM is structured, and whether SoCalGas' operations amounted to market power, anticompetitive behavior, or was a cause of the high gas prices experienced in late 2000 through spring 2001, have either been addressed in D.02-06-023 or will be addressed in I.02-11-040.

Even though I.02-11-040 has not yet resolved the issues within the scope of that investigation, a draft decision on the Year Seven award can still be issued since any award could be made subject to refund or adjustment.

Accordingly, the process for addressing SoCalGas' Year Seven application should proceed with the issuance of a draft decision for comment by the parties. Any award that the draft decision might recommend should be made subject to refund or adjustment because of the pending issues in I.02-11-040.

**IT IS RULED** that the January 16, 2003 scoping memo and ruling, and the March 18, 2003 revised scoping memo and ruling shall be revised, as discussed in this ruling, by proceeding with the issuance of a draft decision that addresses the request of the Southern California Gas Company for a Year Seven Gas Cost Incentive Mechanism shareholder award.

Dated May 21, 2003, at San Francisco, California.

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/S/ LORETTA LYNCH

Loretta Lynch  
Assigned Commissioner

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/s/ JOHN S. WONG

John S. Wong

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Administrative Law Judge

**CERTIFICATE OF SERVICE**

I certify that I have by mail this day served a true copy of the original attached Further Revised Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge Regarding Year Seven of the Gas Cost Incentive Mechanism Administrative on all parties of record in this proceeding or their attorneys of record.

Dated May 21, 2003, at San Francisco, California.

/s/ ELIZABETH LEWIS  
Elizabeth Lewis

**N O T I C E**

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